

Message Text

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ACTION NEA-10

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CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 AGR-05 SAM-01 DODE-00 PM-04 H-02 L-03 PA-01

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TO SECSTATE WASHDC 2910

INFO AMEMBASSY ALGIERS

AMEMBASSY CAIRO

AMEMBASSY RABAT

AMEMBASSY TUNIS

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SUBJECT: LIBYAN NATIONAL CONGRESS: THE ECONOMY

REF: TRIPOLI 0077, TRIPOLI 0079

1. LIBYAN NATIONAL CONGRESS, WHICH CONCLUDED JANUARY 18, SPENT MUCH TIME DISCUSSING PROPOSED BUDGETS AND STATE OF THE LIBYAN ECONOMY. ALTHOUGH QADHAFI AND PRIME MINISTER JALLUD, WITH HELP FROM MINISTERS, PRESENTED AN OUTLINE OF ALLOCATIONS FOR THE FIVE-YEAR DEVELOPMENT PLAN, THE DISCUSSIONS REVOLVED AROUND BREAD AND BUTTER ISSUES (IN THIS CASE, SUGAR AND OLIVE OIL SUBSIDIES) AND VERY FEW DETAILS OF THE CURRENT STATE OF THE LIBYAN ECONOMY OR PLANS FOR ITS FUTURE DEVELOPMENT EMERGED. AS EXPECTED, THE GOVERNMENT'S FIVE-YEAR DEVELOPMENT PLAN AND THE 1976 ADMINISTRATIVE

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(REGULAR) BUDGET WERE APPROVED. IN ADDITION, THE

CONGRESS RECOMMENDED THE NATIONALIZATION OF FOREIGN TRADE.

2. FOREIGN TRADE: WHILE THE CONGRESS RECOMMENDED "NATIONALIZATION" OF FOREIGN TRADE WITHOUT QUALIFICATION, THE SUBJECT WAS NOT PUT TO A VOTE AND MUCH OF THE DISCUSSION REVOLVED AROUND AN EXTENSION OF STATE CONTROL OVER TRADE. BOTH QADHAFI AND JALLUD TOLD THE CONGRESS THAT GOVERNMENT CONTROL OF FOREIGN TRADE IS DESIRABLE TO "HALT THE GREED OF MERTYNNNTS" (CONTROL CORRUPTION) AND TO MAKE TRADE MORE RESPONSIVE TO LARG POLICIES; I.E., TO REWARD AND PUNISH EXPORTING COUNTRIES MORE EFFICIENTLY. THE PROPOSAL MET SOME OPPOSITION, MOST NOTABLY FROM ARMY CHIEF OF STAFF AND RCC MEMBER ABU BAKR YUNIS AND FROM THE MINISTER OF ECONOMY WHO NOTED THAT THE GOVERNMENT SIMPLY DOES NOT HAVE THE MACHINERY TO COMPREHENSIVELY CONTROL FOREIGN TRADE. QADHAFI, IN SUMMARIZING THE DEBATE, SAID THAT THE CONGRESS HAD EXPRESSED TWO VIEWS ON THE SUBJECT: A) LARG SHOULD NATIONALIZE ALL EXTERNAL TRADE AND ESTABLISH GOVERNMENT CORPORATIONS TO TAKE ON RESPONSIBILITY FOR IMPORTS OR B) STATE CONTROL SHOULD BE EXTENDED BY SEPARATING IMPORTS INTO THREE CATEGORIES: ESSENTIAL GOODS TO BE IMPORTED BY THE STATE, LESS IMPORTANT GOODS TO BE IMPORTED BY GOVERNMENT OR PRIVATE JOINT STOCK COMPANIES, AND "SECONDARY" GOODS TO BE IMPORTED BY THE PRIVATE SECTOR. QADHAFI DID NOT GIVE ANY FURTHER INDICATION OF HIS PREFERENCE BETWEEN OUTRIGHT NATIONALIZATION AND EXTENSION OF GOVERNMENT CONTROL OVER FOREIGN TRADE.

3. THE DEVELOPMENT BUDGET: THE SEVEN BILLION LIBYAN EINAR 1976-80 DEVELOPMENT PLAN WAS, AS EXPECTED, APPROVED BY THE CONGRESS. PRIME MINISTER JALLUD IN PRESENTING THE PLAN SAID HE EXPECTED THAT ABOUT 85 PER CENT OF THE PROPOSED EXPENDITURES WOULD ACTUALLY BE MADE -- AS WAS THE CASE IN THE EARLIER THREE-YEAR PLAN. THE PLAN WAS PRESENTED TO THE CONGRESS IN TERMS OF PROPOSED EXPENDITURES RATHER THAN IN TERMS OF SPECIFIC DEVELOPMENT GOALS. LIBYAN DEVELOPMENT LIMITED OFFICIAL USE

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PLANS HAVE, IN PAST, BEEN MORE A STATEMENT OF INTENT THAN A PRECISE PLAN OF ACTION. SINCE NO NEW PROJECTS WERE PRESENTED TO THE CONGRESS, THE FIVE-YEAR PLAN WILL APPARENTLY FOCUS, AT LEAST INITIALLY, ON THE CONTINUATION OF PROJECTS ALREADY STARTED.

4. JALLUD CLEARLY SETS GREAT STORE IN MOVING RAPIDLY TOWARDS HEAVY INDUSTRIAL PROJECTS. QADHAFI TALKED

MORE OF THE NEED FOR AGRICULTURAL DEVELOPMENT -- PERHAPS REFLECTING SOME AMBIVALENCE TOWARDS INDUSTRIAL DEVELOPMENT. QADHAFI'S PRIME THEME ON DEVELOPMENT HAS ALWAYS BEEN SELF-SUFFICIENCY, AND HIS PRESENTATIONS TO THIS CONGRESS WERE NO EXCEPTION. QADHAFI MAY SENSE THAT WHILE THE MODERN INDUSTRIAL STATE PROVIDES THE POWER WHICH HE SEEKS IT IS ALSO A LESS INDEPENDENT STATE THAN HE MIGHT WISH.

5. AS IN THE PAST, AGRICULTURE CONTINUES TO OCCUPY FIRST PLACE IN DEVELOPMENT SPENDING BUT NO NEW PROJECTS WERE PRESENTED TO THE CONGRESS. QADHAFI ADMITTED FAILURE AND THE NEED FOR RESTUDY OF ONE LARGE AGRICULTURAL SCHEME, THE KUFRA PROJECT. INDUSTRIAL DEVELOPMENT ALLOCATIONS WERE INCREASED RELATIVELY MORE THAN THOSE FOR AGRICULTURE, REFLECTING THE BEGINNING OF SUCH HEAVY INDUSTRIAL PROJECTS AS AN IRON AND STEEL MILL IN MISRATAH AND AND EXPANSION OF DESALINATION PROJECTS DISCUSSED BY THE CONGRESS HAVE BEEN PRESENTED IN PREVIOUS DEVELOPMENT PLANS AND MOST ARE ASSOCIATED WITH AGRICULTURE OR PETROLEUM BY-PRODUCTS. IN HOUSING, JALLUD NOTED THAT SOME 76,000 UNITS HAD BEEN PROVIDED DURING THE PAST THREE YEARS AND THAT SOME 36,000 ADDITIONAL UNITS WOULD BE BUILT IN THE NEXT FIVE YEARS.

6. ADMINISTRATIVE (REGULAR) BUDGET: THE 1976 BUDGET WAS APPROVED BY THE CONGRESS WITH THE PROVISION THAT THE BUDGET BE INCREASED BY AN UNSPECIFIED SUM. AS PRESENTED, THE BUDGET TOTALS 485 MILLION DINARS. JALLUD WARNED THAT ANY INCREASE WOULD BE AT THE EXPENSE OF THE DEVELOPMENT BUDGET OR AN INCREASE IN TAXES. NO INDICATION WAS GIVEN OF THE FINAL TOTAL LIMITED OFFICIAL USE

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FOR THE ADMINISTRATIVE BUDGET OR WHERE THE EXTRA REVENUE WOULD BE RAISED.

7. MANPOWER: THAT THE INCREASINGLY ACUTE LABOR SHORTAGES ARE A CONSTRAINT ON QADHAFI'S PLANS WAS MADE APPARENT DURING DISCUSSIONS ON THE INCREASING NUMBER OF FOREIGN LABORERS IN LIBYA AND THE NEED TO FIND MORE CONSCRIPTS FOR THE ARMY. QADHAFI SAID THERE ARE NOW 250,000 EGYPTIANS AND SOME 40,000 TUNISIANS WORKING HERE (MOST ESTIMATES PLACE THE NUMBER CONSIDERABLY HIGHER). QADHAFI COMPLAINED THAT LIBYANS ARE HIRING FOREIGNERS TO DO EVERYTHING FOR THEM AND THAT TUNISIANS AND EGYPTIANS NOW OPERATE MOST OF THE FARMS IN LIBYA. QADHAFI CLEARLY INDICATED THAT THE ARMY WILL HAVE TOP PRIORITY ON MANPOWER. HIS

AIM IN RAISING THE RETIREMENT AGE FROM 60 TO 65 AND RECALLING RETIRED CIVIL SERVANTS IS TO FREE YOUNGER MEN FOR MILITARY SERVICE. QADHAFI'S AND JALLUD'S EXHORTATIONS FOR LIBYANS TO WORK HARDER AND STAY ON THE FARMS WILL NOT, OF COURSE, SOLVE THE PROBLEM.

8. FOREIGN AID: QADHAFI TOOK GREAT PAINS TO ASSURE THE DELEGATES THAT THE LARG DOES NOT HAVE ANY GIVE-AWAY PROGRAMS AND THAT LIBYAN FOREIGN AID CONSISTS ONLY OF SOUND COMMERCIAL INVESTMENTS. THE FOREIGN AID PROGRAM WAS DISCUSSED IN CLOSED SESSION AND, IN VIEW OF QADHAFI'S SENSITIVITY TO CHARGES THAT LIBYAN WEALTH IS SQUANDERED ABROAD, HE WAS PROBABLY NOT AS FRANK AND CANDID ON THIS ISSUE AS ON OTHERS.

9. QADHAFI'S PURPOSE IN HOLDING CONGRESS WAS TO DEMONSTRATE LEGITIMACY HIS RULE RATHER THAN TO DEAL WITH COMPLEXITIES OF ECONOMIC POLICY. THUS LARG PETROLEUM POLICY WAS NOT RAISED AT ALL (THOUGH LEVELS OF PLANNED DEVELOPMENT SPENDING WOULD SEEM TO DICTATE STABILIZING OIL PRODUCTION AT OR NEAR TWO MILLION BARREL-PER-DAY RATE). THE MOST DIFFICULT OF LIBYA'S ECONOMIC PROBLEMS -- ABILITY OF THE INFRA-STRUCTURE TO USEFULLY ABSORB HIGH SPENDING LEVELS, MANPOWER SHORTAGES AND INFLUX OF FOREIGN LABOR, HIGH COST AND UNCERTAIN VIABILITY OF AGRICULTURAL LIMITED OFFICIAL USE

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DEVELOPMENT AND SCARCITY OF WATER -- WERE EITHER NOT MENTIONED OR NO SOLUTIONS WERE OFFERED. MOST DEVELOPING COUNTRIES WOULD, OF COURSE, BE HAPPY TO TRADE FOR LIBYA'S PROBLEMS. CARLE

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